

## **LOCAL HOMESTEAD CREDIT REVIEW COMMISSION**

**DATE:** June 20, 2013

**CALLED TO ORDER:** 3:08 p.m.

**ADJOURNED:** 5:31 p.m.

### **ATTENDANCE**

#### ATTENDING MEMBERS

Beth Henkel, Co-Chair  
James Steele, Co-Chair  
Frank Mascari  
Joseph O'Connor  
Vop Osili  
Chris Pryor  
Jack Sandlin  
Dan Sellers  
Jeff Spalding

#### ABSENT MEMBERS

Robert Lutz

### **AGENDA**

Review Initial Findings  
Discuss Potential Recommendations

## **LOCAL HOMESTEAD CREDIT REVIEW COMMISSION**

The Local Homestead Credit Review Commission, created by the City-County Council, met on Thursday, June 20, 2013. Co-Chair James Steele (former City Controller and former Chief Financial Officer for the City-County Council) called the meeting to order at 3:08 p.m. with the following members present: Co-Chair Beth Henkel (Local Attorney, former Department of Local Government and Finance Commissioner), City-County Councillor Frank Mascari, Joseph O'Connor (Marion County Assessor/Commissioner), Chris Pryor, Metropolitan Indianapolis Board of Realtors-MIBOR), City-County Councillor Jack Sandlin, Dan Sellers (Chief Financial Officer for the Health and Hospital Corporation) and Jeff Spalding (former City Controller, serving as Controller's Designee). City-County Councillor Vop Osili arrived shortly thereafter. City-County Councillor Robert Lutz was absent. Chief Financial Office Hope Tribble and Fiscal and Policy Analyst Ryan Kramer represented Council staff. City-County Councillor Marilyn Pfisterer was also in attendance.

Co-Chair Steele explained that this is a working meeting, and will not be televised and they will not be accepting any public comment. He said that some additional information has been provided to each commissioner this evening, and after a brief review of that information, the commission will then proceed with feedback, discussion of options, and possible recommendations. He said that the first item of additional information commissioners have before them is a report from the Auditor's Office regarding their efforts to identify and eliminate duplicate homestead deductions (attached as Exhibit A). He said that 1,123 parcels have been identified to date, and he believes they are back-billed for three years of taxes, with a penalty added. He said that taxes collected as a result of these efforts are a little over \$2.1 million, with penalties of over \$210,000; for a total of \$2,339,036.11. Currently, the Auditor's Office only has one staff member working on this initiative, and there is a significant backlog of work still to be done. He said that of the pink slips that were sent out to request confirmation of a homestead status, 76,084 have not responded. Therefore, of the 221,000 homestead deductions claimed in the County, approximately one-third of them have not confirmed their status, even after sending out the slips twice.

{Clerk's Note: Councillor Osili arrived at 3:10 p.m.}

Councillor Mascari asked if all of these 76,084 parcels currently receive the credit. Co-Chair Steele responded in the affirmative. Assessor O'Connor said that the slips were only sent to those already claiming homesteads, to make sure they are valid claims and not duplicates. He said that 76,084 have not filled out the form and sent it back.

Mr. Sellers asked if that means these people will lose their homestead credit (HSC) or if another request for confirmation will be sent. Councillor Sandlin said that the statute gives the Auditor the discretion to set the cut-off date. Mr. Sellers asked if the Auditor takes the action and removes these parcels from the homestead qualification, if these credit revenues will go away. Assessor O'Connor said that most likely, these property owners will receive a bill with the credit taken away, so that their taxes increase. The Auditor will then be faced with a policy decision of how to handle those who come and

try to verify their homestead credit after receiving the increased bills. Mr. Sellers said that this potentially means there could be fewer folks with the HSC, resulting in more property tax revenue and more taxpayers against the cap. Co-Chair Steele said that these additional homes, if not the primary homestead, would then be subject to the 2% cap. Mr. Spalding said that this would mean more County Option Income Tax (COIT) revenue coming to all units, and the \$12.8 million used for these credits would go down.

Councillor Osili asked what this would amount to as one-third of all the credits. Co-Chair Steele said that he does not believe this is included in the Policy Analytics, LLC (PALLC) analysis, as to which property owners have turned in their slips and which have not.

Mr. Sellers asked if it is found that a property is a second home and does not qualify for the HSC, if it would then be subject to the 2% cap, regardless of whether it is being used as a vacation home or rental. Co-Chair Henkel responded in the affirmative. Assessor O'Connor said that many of these owners did not file for the HSC, but when it is determined that the property is their primary residence, they should almost automatically get their 1%, as they have seen rulings come through the State to that effect. Co-Chair Henkel said that in the last Legislative Session, though, it was changed. The State determined that taxpayers would now have to apply for the deduction in order to get it. Councillor Osili asked if they will now have to make that request. Co-Chair Henkel said that up until next week, they could still show proof that it was a primary residence and still get that 1%. Mr. Spalding said that as of July 1, 2013, however, they will have to actively apply to make the parcel a primary residence and eligible for a homestead deduction. Co-Chair Steele said that those \$221,000 existing homesteads will still exist and will not be affected unless they are found to be in violation.

Co-Chair Henkel said that the fund set up to receive the recoupment of taxes is a non-reverting fund, and the current law does not say that once all this money is collected, it can be used for the General Fund. Currently, it can only be used to fund these efforts of the Auditor's Office to identify and eliminate violations of the homestead deduction. Co-Chair Steele said that this is a good point, and if this fund ends up with a \$20 million balance, it would make sense that some of that would go back to the local units of government to which it would have originally gone. Unfortunately, Indianapolis is treated differently as a consolidated city and is not like the other 91 Indiana counties. Co-Chair Henkel said that the way the fund is set up now, other counties can set up a fund with \$100,000 to pay for a contractor for these services, and the rest goes in the General Fund. It does not work that way for Marion County.

Councillor Sandlin asked what the incentive is then to identify those fraudulent claims if those revenues do not come back to the units. Assessor O'Connor said that the incentive is to recoup the cost of investigating by paying someone's salary. Co-Chair Steele said that the reality is that this money cannot be used in the budget and

appropriated for other things, and he feels this should be addressed in the next Legislative Session.

Mr. Sellers asked if this fund can then collect these taxes until the end of time. Mr. Spalding said that the revenue stream will eventually end itself when they have found all the violations. Mr. Sellers said that the final revenues could be substantial in a City the size of Indianapolis.

Co-Chair Henkel said that it is important to note that it is not just an individual who can only claim one HSC, but a family unit. Therefore, if a husband and wife own two properties, and the husband works out of state and stays in one residence most of the time and considers it his primary residency; yet the wife stays in the other property and considers it their primary residence; only one of those properties can be claimed as a homestead.

Councillor Osili asked if one-third of those individuals claiming a HSC cannot be verified, if that difference in the \$12.8 million is then distributed among the remainder that do have the HSC. Co-Chair Steele said that the \$12.8 million figure is the amount of the HSC that is currently going toward all 221,000 parcels. If one-third of those came back as fraudulent, and they were able to locate them and eliminate them, then the amount of the HSC would be closer to \$8 million. Assessor O'Connor said that just because one-third have not turned these slips in, does not mean that they are all in violation. Some may be in violation, and are trying to get away with it a little bit longer. Others may just be a matter of procrastination, and if the heat is turned up and they are faced with the real consequence of paying more taxes, they will most likely turn it in. Mr. Sellers asked if these pink slips are included in their tax bills. Assessor O'Connor said that there may be some confusion, because they were sent out earlier than the tax bills, and then also sent out in conjunction with the tax bills. Mr. Sellers said that in many instances, the bank is paying the taxes on a property and maybe many of these homeowners are not seeing these pink slips. Mr. Spalding said that this is a concern, and there are many who simply do not know about it and do not understand the consequences of not turning it in. Assessor O'Connor said that he believes the next step will be some tickler letters that are a little more threatening and urgent so that folks confirm their status to clean up these numbers.

Co-Chair Steele said that one suggestion might be to use some of the Homestead Verification funds to hire an outside contractor to finalize the status of these remaining 76,000 parcels. He said that a stronger letter should be sent that gets across the message that if they are not heard from by a certain time, they will be taken off the credit. Mr. Spalding said that invoking the consequences, by sending out higher tax bills, will be the impetus that prompts people to come in and verify their status. He said that this could get messy to clean up and there may be some negative media, but it may be the only way to get it done. Co-Chair Steele said that maybe after another warning, they could send out the bills with a letter that indicates they never heard back from them, so their homestead credit has been eliminated and they have 15 days to respond

if they think they qualify. Co-Chair Henkel said that they have to be mindful that there is only one person in the Auditor's Office available to work on this issue, and it is a daunting task for one person.

Councillor Osili asked if someone sells their home, which is their primary residence, how the County government is notified of that change. Mr. Pryor said that typically a homestead deduction is filed by the title company during the sales process. Assessor O'Connor said that the credit notification is built into the sales disclosure form.

Councillor Sandlin asked if this eliminates the previous credit and puts it on the new owner. Mr. Pryor said that the pink forms would clear up discrepancies, but once a property owner is qualified for a homestead deduction, they do not have to refile. Mr. Sellers asked if when he sells his home, the new owner would get the deduction in new documents and his HSC would be cleared out. Assessor O'Connor said that all transactions for sale and purchases of homes require the owners to fill out the sales disclosure form, and the Auditor is able to track these homestead deductions through that form.

Councillor Pfisterer asked what the solution is for those individuals with property in an escrow situation and the taxes are being paid by the bank. She said that in this case, the owner might not be aware of the HSC and the pink slip. Co-Chair Steele said that the pink slips were actually sent to the actual residents. Councillor Pfisterer said that if a homeowner's taxes are paid by escrow, however, they may assume that the bank is handling all those issues. Mr. Pryor said that this is a fair question, and he is not sure what the answer is. He said that while some of those 76,000 procrastinating on turning in their slips may be in violation, many of them just simply have not paid attention to the mail they are getting.

Co-Chair Steele said that the other additional information provided this evening includes a spreadsheet of school corporations and their tax rates and levies (attached as Exhibit B), with the effect of any school referendums factored in. He said that Washington Township has the lowest tax rate, and Franklin Township has the highest.

Councillor Sandlin asked if the non-referendum portion is all property taxes. Co-Chair Steele responded in the affirmative. Councillor Sandlin said that when school superintendents ask the commission not to balance the City's budget on the backs of kids, he wants to make it clear that these funds are not for educational supplies or teacher salaries, but for debt service, transportation, capital expenditures and bus replacement. Co-Chair Steele said that he believes a very small amount of these funds can be used for operating expenses. Mr. Spalding said that some capital projects funds can be used to pay for utilities, but otherwise, Councillor Sandlin is correct. Co-Chair Henkel said that it is pretty restrictive the way these funds can be used.

Councillor Sandlin said that at one of the meetings there was some discussion about transportation and bus replacement, and one school representative said that buses need to be replaced every 12 years. He further represented that eliminating this money

they receive from HSC revenue would push that replacement to 15 years. Councillor Sandlin said that he spoke with a State Representative about this matter, and was told that normal service replacement would be for 12 years, but chassis are designed to last for 17 years. Most of these buses do not approach a high mileage level that would really impact the replacement of buses. He said that he is therefore not sure this bus replacement issue is a valid argument based on what he has heard to the contrary.

Mr. Spalding said that it might be simple for some to say that this issue pits kids against bureaucrats. While he sympathizes with the schools, and realizes that some of these costs could leak into use of their General Operating funds, and hits Beech Grove especially hard because of the circuit breaker impacts; it is important to realize that the funds affected by this decision are used mostly for buildings and buses. He said that these are not the same funds being used for instruction or paying for teachers. This is a time when everyone is struggling for resources, and hard decisions often have to be made.

Councillor Sandlin asked if the HSC is eliminated, if this will push some to the circuit breaker. Co-Chair Steele said that local units will lose \$9 million in revenue and taxpayers will pay an additional \$3.9 million if the HSC is eliminated, in light of circuit breakers.

Mr. Sellers said that he spent a couple of hours speaking with representatives from the schools and municipal corporations a few days ago, and would like to provide a synopsis of that conversation. He said that there are frailties with the history of how this tax was created. He said that this was created before property tax caps and before the State took over school levies. He said that they all realize that they are using these funds to subsidize different issues, and when the State took over certain funds, they left other mechanisms in place, and there was no reallocation for the historical purpose of those funds. In a perfect world, Beech Grove would have a debt service fund solely for debt service and nothing else would impact that fund. However, in the world they live in now, with property tax caps, reduced revenues, and growing obligations, Beech Grove already has a debt service requirement of \$5 million, with only \$4.1 million of revenues coming in to this entire fund, which also includes transportation and bus replacement. Therefore, Beech Grove would be forced to take General Fund money to support debt service and transportation, because the revenue is simply not there. He said that all the units are having the same problem, because they have relied on these funds; and in light of circuit breakers, need these additional revenues. He said that he has asked the schools to provide the commission with something in writing regarding the impact of this decision on their budget, so that the commission gets the full picture, and does not just dismiss it as only affecting their capital projects and bus replacement.

Mr. Sellers said that he serves as the Chief Financial Officer (CFO) for the Health and Hospital Corporation (HHC). He said that municipal corporations have also been hit hard with recent legislative decisions. The financial institutions tax was changed by the State this year, and they decided it was not needed. Yet, all of the units earned

revenue from that tax and were able to use those funds as they saw fit; and they became a part of their regular revenue sources. This is a loss of \$1.2 million a year for HHC. Regardless of how that tax got there and what its original purpose was, because it was now being used for other things, it was eliminated; without taking into account all the associated ramifications. He said that this HSC elimination is the same scenario. The units already have other hits to funds they have come to rely on, not to create a surplus, but simply to fund operations and get by. They are already subsidizing these funds with operating funds, and are barely breaking even. They cannot find more revenue sources and many are already operating in the negative, and they simply cannot endure any more loss of revenue.

Co-Chair Steele asked who Mr. Sellers met with. Mr. Sellers said that all civil taxing units, including municipal corporations and schools were invited. Councillor Mascari asked how many actually attended. Mr. Sellers said that there were 12 attendees. Co-Chair Steele asked if anyone spoke in favor of the HSC elimination, such as possibly the City of Lawrence. Mr. Sellers said that no representatives from the excluded cities were there, and only schools and municipal corporations were represented. All those present asked that the commission not recommend the elimination of the HSC. Co-Chair Steele asked if they made any suggestions or proposals for mitigation. Mr. Sellers said that realistically, the entities recognize that a large portion of the members of this commission are elected individuals, and they could make recommendations, but ultimately the decision is up to the elected officials.

Councillor Sandlin said that he would like to fully understand the financial condition of all the entities involved. He said that the testimony, however, does not realistically portray what the financial issues really are. He said that Franklin Township had an issue with transportation. Internally, the school corporation had a pot of money in their debt service fund, but made a conscious decision not to fund what was needed for transportation from that fund. The State stepped in, however, and said that they had to fund transportation. He said that his district's school superintendent said that they had to replace buses at 12 years, and it would be outlandish to replace at 15 years. Yet when he explored the issue, he found that 12 years is the minimum, and buses are built for 17 years of service, even though a lot are traded out at 15 years. He said that he is not totally confident in what he has heard without all the financial information, and he is not sure how to weigh that testimony without numbers to clearly understand the issue.

Mr. Sellers said that this is the reason he asked the schools to submit in writing what they believe the real consequences will be. He said that without something concrete with implications, it is all anecdotal and hypothetical. It is therefore difficult for the commission to know if these entities are managing their budgets right and would be impacted as harshly as they say.

Councillor Pfisterer asked if this will impact charter schools in any way. Co-Chair Henkel responded in the negative and said that charters do not have this funding source.

Mr. Spalding thanked Mr. Sellers for holding the meeting with the taxing units, as this is a great service to the commission. He said that one thing he implemented in the Controller's Office when he served as Controller was having an annual meeting with these entities to understand how their finances were all inter-related. He said that anecdotal testimony is hard to sort through. He said that he found one thing odd in the General Assembly this last year with regard to debt service, so that it is not caught in a situation where it is undercollected. Even when fully collecting, the law made good sense to him from a financial standpoint. Mr. Sellers said that every year debt service funds are under water with the assessed valuation (AV) where it is, because all units are collecting less. Mr. Spalding said that the schools lobbied against that issue and were the ones who got it changed. Co-Chair Henkel asked for an explanation as to why the schools want that unwound. Mr. Sellers said that the Department of Local Government Finance (DLGF) was not going to follow the way the law was written. Assessor O'Connor said that this information sharing is good, and hopefully, they will get more information from the units. He said that without it, they do not get the whole puzzle, and he hopes there is some reciprocation.

Councillor Sandlin said that he had conversations with the Perry Township board, and after some analysis from their financial person, they have found that this action will have a negligible impact. Although they will experience a small loss, they can make adjustments and are not necessarily opposed to this action.

Co-Chair Steele referred to a spreadsheet of taxing districts. {Clerk's Note: A copy of this spreadsheet is on file with the original minutes of this meeting in the Council Office.} Co-Chair Steele said that Marion County has 60 different taxing districts, and they all have a separate tax rate. He said that they heard feedback from Wayne Township personnel that consolidation of the fire department would not be a good move, but if they look at Exhibit B and the three townships that did not consolidate their fire departments with Indianapolis Fire Department (IFD), those townships (Decatur, Pike and Wayne) have the highest tax rates, and one might think they should consider consolidation. Councillor Sandlin said that Wayne Township may be high because of the creation of a fire district. Co-Chair Steele said that years ago townships were allowed to create their own levy if they wanted, and since Wayne created a fire district, they were not entitled to any COIT distribution. They later went back and reformed their fire district in the township, so that they could again receive COIT. He said that looking at the school rates, Indianapolis Public Schools (IPS) is 44% of the tax rate in Center Township. In Decatur Township, the school represents 54% of the total rate; in Franklin, it is 64%, in Lawrence, it is 41%; Perry is 52%, Pike is 36%, Warren is 53%, and Washington is just 28%. Co-Chair Henkel said that just because a township's tax rate is low, it does not necessarily mean they are frugal, but there is some correlation with the assessed value per capita. Hope Tribble, CFO for the Council, asked the Office of Finance and Management (OFM) to provide an electronic copy of this tax rate spreadsheet for commission members. David Hortemiller, OFM, agreed to provide such.



Co-Chair Steele referred to the fourth handout (attached as Exhibit C), which shows the tax increment financing (TIF) revenue pass-throughs, and the impact of these revenues on the taxing units. Jason O'Neill, Policy Analytics, LLC, stated that these are estimates using the 2013 numbers.

Mr. Spalding said that there has been a lot of testimony, but this commission cannot look at one part of the problem separately. They have to look the issue holistically.

Mr. Sellers asked if the pass-through is a one-time distribution and who determines the amounts. Co-Chair Henkel said that the Metropolitan Development Commission (MDC) approves the TIF pass-throughs and will decide on those amounts by July 15. Mr. Spalding said that this distribution happens annually, and the underlying intent is to continue these pass-throughs in future years. Mr. Sellers asked if there is any level of consistency, since it has to be determined annually. Co-Chair Steele said that in 2012, the MDC passed through \$1.25 billion, and in 2013, it was \$1.37 billion; so it seems to be somewhat consistent. Ms. Tribble clarified that the recent TIF Study Commission issued several recommendations in their final report; and as a result, discussions are taking place among the Council, Controller, Mayor's Office, Bond Bank and MDC regarding drafting some type of pass-through policy that can be used as a guideline year after year. She said that they are looking at ways to formalize that process so that it is ongoing and consistent. No matter the intent, it will still have to be an annual decision, but they are working to make it a more disciplined approach and more transparent.

Co-Chair Henkel asked if those guidelines will be finalized before July 15. Ms. Tribble said that they hope to have a draft ready to be used for this year's process, and then see how it works to tweak it before formalizing. Co-Chair Steele asked if they are anticipating any significant changes in next year's pass-throughs. Ms. Tribble said that the guideline is for 150% of the debt coverage last year, but each district has to be looked at specifically, and it depends on debt coverage. Some could be 150%, while others could be less. She said that they will see how the guidelines work, in order to formalize the process for a greater sense of stability going forward.

Co-Chair Steele asked if any of the members have any other feedback to share with the commission as they are considering a recommendation.

Councillor Osili said that he has brought this matter up at several neighborhood meetings, and there has not been one single resident who has spoken about this issue who has said it makes sense or that they desire for the credit to go away. He said that this credit may be antique in a sense and has maybe passed its reason for being, which is why the City feels justified in removing it, now that the tax caps are in place. However, it has become like a common law marriage. It may not be *de jour*, but it has become *de facto* in the sense that there are rights that go along with the distribution of these funds, and the units have become accustomed to that. He said that the impact on

IPS, with a loss of \$802,000 in revenue, is pretty significant, and it seems this will impact those institutions who need it the most.

Mr. Sellers said that it becomes an issue regarding the direct implication of taxes. While it is the domain of the elected officials to decide this matter, he feels some data is still needed from the taxing units. He said that the impact on schools at this point does not include all this new information about TIF pass-throughs, and while he recognizes the schools' scope is limited, it is significant to their operations. He said that the units are asking that the elected officials consider the full implications when addressing this holistically. The Local Option Income Tax (LOIT) is not at its maximum, and these units have fully captured all the revenue they can. They have had significant reductions in revenue due to State decisions beyond their control already. He said that the municipal corporations are in the same boat, and Health and Hospital Corporation (HHC) has taken a \$1 million plus hit because the LOIT is not at its maximum. Co-Chair Steele said that they froze tax rates for three years, and then set the LOIT rate to replace three years of levy. This year, \$58 million was eligible to be distributed to local units of government, but they only had \$44 million in the pot, because the LOIT was too low to fund that. Therefore, there was a \$14 million shortfall in the levy for those units of government that are a part of that program. Raising that LOIT would be a decision for local officials to consider.

Co-Chair Henkel asked what the current LOIT tax rate is. Mr. Spalding said that it is currently 0.27. Mr. Sellers said that the units are asking the elected officials to consider all options, including such things as the LOIT levy freeze, when moving these dollars around. He said that they want officials to understand that many units are already operating at a deficit and trying desperately to make ends meet. While the elimination of this credit would help out the City's financial situation, it would come at the expense of other units. The units would like officials to therefore look at all funding sources available. Until there is some stability regarding TIF, they cannot count on those dollars to replace this revenue. He said that the units want the commission to look at ways to use a portion of increased revenue to some units to help those who will be losing revenue, and look at ways to distribute funds more equitably. Mr. Spalding said that he does not know how they could legally distribute the gain from one unit to another losing unit, as there is no legal structure to do that. He said that he imagines units could possibly enter into offline agreements, but this would prove to be an administrative challenge over time. Mr. Sellers said that they have been taking \$12 million out of one pot for another for quite some time. While the units are not necessarily convinced they should subsidize one tax with another tax in this way; they are asking for some consideration that if the elimination were to take place, that it be done over time, and not all at once. They are also asking the commission to recommend mitigation solutions to make up the difference until the assessed value gets back to the whole. Ms. Tribble said that there are some possibilities for the Library and IndyGo to receive direct allocations of COIT off the top, but this does not help the other affected municipal corporations. This would not require any offline agreements, but could be done by action of the Council. Mr. Sellers said that he wants the commission to keep in mind

that these reductions will result in an impact to services; and the most vulnerable entities, like the Library and IndyGo, will have to reduce some services in order to make ends meet.

Councillor Mascari said that the superintendent of Beech Grove Schools is adamantly against this action, and they need a guarantee that if TIF distribution is going to replace these losses, it will not just be for one year. Mr. Spalding said that they cannot legally guarantee that distribution, and can only say it is their intention to continue such. Co-Chair Henkel said that there could, however, be a policy implemented for more consistency. Co-Chair Steele said that TIF funding could go down, and therefore, there is no way they could guarantee the same level of revenues. Mr. Spalding added that it would also be legally impossible to bind future MDCs to such a guarantee. Councillor Mascari said that from 2008 to 2011, the Mayor decided to lower the LOIT rate; and as a result, the City has lost \$100 million, \$26 million per year. Mr. Spalding said that the Council makes that decision, not the Mayor. He said that the DLGF also plays a role in defining that rate. The DLGF said this rate would be 0.27 and forced it down. The Council could have raised the public safety income tax rate by that same amount to make up the difference so that no revenue was lost, but that did not take place. Co-Chair Steele said that the public safety rate could go up to 0.50.

Councillor Sandlin said that generally, no one likes to pay more taxes. He said that he has had about a half dozen calls, and after taking the calculator and working with these individuals, the highest impact was estimated at about \$38. When they understand that this is not the deduction they are discussing, and find out what the actual dollar impact is, they do not seem to be particularly upset about it. He said that his constituents are, however, concerned about the loss of dollars for municipal corporations and schools, and they need to look at some options that might be available to lessen that impact. He said that they have worked hard as a Council to control spending, but they are limited with respect to the tools that are available to them. He said that this is an antiquated system, and they need to put things back where they belong and return everything to a level playing field. He said that it looks like it needs to go away, because they are basically subsidizing one tax with another, but he does not like the schools losing money. He said that he has very mixed feelings, but they need to explore it as an option and look at the possibility of phasing it in. He added, however, that the overall tax policy is driven by the State legislature, though, and sometimes local officials' hands are tied. He said that they need to continue to be innovative and forward-thinking.

Assessor O'Connor said that he has not really had any individuals seek his input on this issue, but he has engaged people in discussions. He said that it is seen as an action to take money from schools and raise taxes. As an office holder, his office will actually benefit from the action, so some may see a vote in favor as self-serving; while Mr. Sellers' organization and schools will lose. He said that as Assessor, he tries to take the taxpayer viewpoint, as he is an office holder on the front lines who will be one of the first to receive the negative feedback. He said he has often said he was "sworn in to get sworn at." He asked what happens if the assessed value grows, since property tax

caps are in effect. He said that this credit was put in place as a pressure relief valve, but the ultimate issue is that, as a taxpayer advocate, he does not want to see taxes get out of hand.

Mr. Spalding said that this idea was introduced during last year's budget, when he served as City Controller, so he has been thinking about the issue for over a year. He said that from a government operational standpoint, a clean break is better; but he understands the fundamental view of a "phase in," so as not to shock taxpayers. However, from an administrative standpoint, a "phase in" is a nightmare. He said that this action has a relatively small impact individually on taxpayers, and he personally does not feel like a "phase in" is a good choice for this action. He said that property tax reform has rendered the homestead credit HSC ineffective, and it is no longer accomplishing what it was originally intended to do. He said that that the school funds that are affected are for capital projects and transportation, and this action will not directly hit their operations. He said that in context, \$3.9 million is approximately 1% of the schools' net property tax revenue. He understands that when all units are struggling to get by, a 1% hit is huge; however, they are only talking about three-tenths of a percent of the overall budget. He added that this will affect 11 separate school corporations, and may create more viability for cooperation and consolidation. He asked if the schools had been approached regarding possible coordination of facilities and transportation. Mr. Sellers said that he asked that question, and all of the schools are combined in a purchasing trust, and have already created some transportation co-ops. They all buy from the same program and all their health insurance is through the same broker. Mr. Spalding said that this move is being portrayed as the City versus schools, but he wants to make it clear that the funds in the City's budget being affected are police, fire and the County General Fund, which primarily funds public safety and criminal justice initiatives. He said that the schools are the biggest feeders at the property tax trough, yet the City is being accused of making decisions on property tax levies and debt service levies that affect other units of government without ever communicating with them. He said that the schools have made tons of decision affecting the City over the years without discussing it with them. He said that the City is facing a \$55 million structural deficit, which is 9% of their current expenditures. They are therefore spending 9% more than what they are bringing in, and only \$41 million of that spending is related to administration and legislation. The rest is allocated to public safety and criminal justice, and 99% of the public safety budget goes to payroll and contractual services, meaning employment for many individuals. He said that they need to look at some other options to help mitigate the consequences, but he feels it is the right thing to do.

Mr. Pryor said that he appreciates all the thoughts and sincerity put into this complicated issue and the tremendous knowledge and expertise represented through the membership of this commission. He said that they need to continue to examine it in light of the big picture and not get sidelined with any one piece. Either way they go, there will be winners and losers, and there is no one perfect answer. It is a difficult decision, but he believes they should look at it from a broad perspective. From where

he sits, as a representative of MIBOR, he is concerned about the implications for homeowners. But looking at the broader implications, homeowners are also impacted by schools and public safety. It is important to step back and remember that taxpayers have funding limits, too, and that is why the tax caps were passed. He said that there have been significant debates regarding this issue over the last several years, and the decision cannot be taken lightly. He said that they need to continue to find ways to better coordinate functions, but there is no entity with binding authority to determine the best way to do this across the board. However, they need to continue to look at ways to become more efficient, as it will only get tougher.

Co-Chair Steele said that when City finances were in a similar condition several years ago, the administration took the opportunity available to them to increase the COIT rate. At that time, there was bi-partisan support from the Council to take that action, even though there were some who still said no. He said that several years later, they had to borrow \$100 million to fund pensions for public safety, and they are still paying off that debt, and they need to incrementally make adjustments as they go, so that they do not face that again. He said that he believes they should look at the LOIT freeze and the public safety income tax rate. He said that he would like to see more information from the City regarding the projected fund balances for police, fire, County General and criminal justice funds, so that they know where they truly stand. He said he would also like to see examples of what they have done in the last three or four years to become more efficient, and what is being planned in the immediate future to create even more efficiencies and savings. Co-Chair Henkel agreed and said that the commission's recommendation does not have to be just yea or nay on the direct issue, but can also include other recommendations for mitigation.

Co-Chair Steele said that the last meeting of this commission will be held next Monday, June 24, 2013, and they will work to get the commission some additional information before that meeting on fund balances and efficiencies. He said that at that meeting, they will look at all options in light of the impact on units and any recommendations for mitigation. He said that several items have been suggested at this meeting that can be considered:

- Outside contractor for Auditor's Office to find violations of homestead exemptions
- More money in Assessor's budget to expedite appeals and better attorneys to fight appeals
- COIT distribution off the top for IndyGo and Library
- Phase in the elimination
- LOIT levy freeze
- Public Safety income tax rate
- Stable TIF policy for pass-throughs, for better continuity.

Co-Chair Steele said that it is unfortunate that no print media has attended any of the meetings. Co-Chair Henkel said that she believes an *Indianapolis Star* representative was at one meeting, but she did not see any story published.

Mr. Sellers asked what the agenda will be for Monday's meeting. Co-Chair Steele said that they will summarize the concerns raised and public input received, look at options to consider and the impact of those options on local units of government, and then make a motion on a vote or recommendation. Mr. Sellers asked if they will then vote on a recommendation at that meeting. Co-Chair Steele responded in the affirmative. He said that he will work with Co-Chair Henkel and Ms. Tribble to set an agenda and discuss how the vote and recommendations will be handled.

Mr. Pryor said that they also need to consider petitioning the State Legislature regarding the use of the Homestead Verification Fund dollars. Co-Chair Henkel agreed, and said that Marion County is much different than other counties and it affects them on a larger scale.

There being no further business, and upon motion duly made, the meeting was adjourned at 5:31 p.m.

Respectfully Submitted,

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Beth Henkel, Co-Chair

BH:JS/ag

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James Steele, Co-Chair

**Kramer, Ryan M.**

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**From:** Kirkland, Justina N.  
**Sent:** Tuesday, June 18, 2013 2:48 PM  
**To:** Kramer, Ryan M.  
**Cc:** Breaux, Billie  
**Subject:** Local Homestead Credit Review Question

1. Began investigations late March 2011 with the first wave of bills issued on 11/15/11 after our system was created and initial notices were mailed throughout the summer.
2. 1,123 parcels have been entered in my tracking system which means they have been billed, are currently being billed, or are set up for the next monthly billing. However, there are several hundred if not thousands of tips for properties to be investigated that I receive from other Marion County agencies, other County Auditors' offices, Township trustees' offices, coworkers, customers, and anonymous submissions from the public.
3. (I would recommend using rounded figures for the collection since there are still errors and it does not include the taxes collected through the May 2013 tax bill)
  - a. Straight Taxes collected (includes May 2012 & November 2012 homestead amounts collected with tax bill) \$2,128,332.50
  - b. Auditor's Portion of Civil penalty (includes May/November 2012) \$210,703.61
  - c. DLGF Portion of Civil penalty (includes May/November 2012) \$2,125.56
  - d. "Total" collected for the Auditor: \$2,339,036.11 (with two payments received yesterday that haven't been entered yet)
4. How many property owners who claim homestead deductions have not responded to the request to confirm their status?

There are 76,084 parcels that have not responded to the request to confirm their status.
5. What is the last day that unresponsive parcel owners can continue to receive the homestead deduction? In other words, when are those parcels automatically designated as non-homestead parcels and how much related AV will they represent?

There is no set time for an "automatic" cut-off. Rather, the statute provides that the Auditor has discretion to terminate the homestead deductions for failure to submit the pink forms, but there is no mandatory cut-off date in the statute. If she does want to terminate the deduction for this reason, she must first send notice to the taxpayer that she intends to terminate it.

As far as I know, Auditor Breaux has not established a "cut-off" date under her statutory discretion at this time.

## Marion County School Corporation - Fund Rates and Levies

Tax Year 2013

Fund Name	Beech Grove Sch.		Franklin Twp. Sch.		Indpls Pub. Sch.		Decatur Twp. Sch.		Lawrence Twp. Sch.		Perry Twp. Sch.	
	Levy	Rate	Levy	Rate	Levy	Rate	Levy	Rate	Levy	Rate	Levy	Rate
<b>Non-Referendum Funds</b>												
DEBT SERVICE	4,157,096	1.1585	34,092,307	2.0046	38,607,765	0.4249	15,373,221	1.4414	18,215,476	0.3998	12,428,329	0.4298
SCHL PENSION DEBT	439,213	0.1224	969,401	0.0570	3,316,506	0.0365	776,447	0.0728	2,446,651	0.0537	2,232,357	0.0772
CAPITAL PROJECTS (SCHL)	1,375,771	0.3834	4,362,305	0.2565	33,801,103	0.3720	3,628,396	0.3402	13,331,286	0.2926	9,371,851	0.3241
2013 STATE LOAN												
TRANSPORTATION	799,483	0.2228	4,178,629	0.2457	26,840,983	0.2954	2,426,396	0.2275	9,763,823	0.2143	7,451,792	0.2577
BUS REPLACEMENT	110,880	0.0309	709,193	0.0417	10,067,640	0.1108	474,614	0.0445	1,986,480	0.0436	1,607,760	0.0556
<b>Total Non Referendum</b>	<b>6,882,443</b>	<b>1.9180</b>	<b>44,311,835</b>	<b>2.6055</b>	<b>112,633,997</b>	<b>1.2396</b>	<b>22,679,074</b>	<b>2.1264</b>	<b>45,743,716</b>	<b>1.0040</b>	<b>33,092,089</b>	<b>1.1444</b>
<b>Referendum Funds</b>												
SCHL REFERENDUM FUND	1,255,920	0.35									8,900,511	0.3078
REF SCH POST09					22,107,012	0.2433					3,883,491	0.1343
REFERENDUM DEBT												
REF DEBT POST09												
<b>Total Referendum</b>	<b>1,255,920</b>	<b>0.3500</b>	<b>-</b>	<b>-</b>	<b>22,107,012</b>	<b>0.2433</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,784,002</b>	<b>0.4421</b>
<b>Total School Corporation</b>	<b>8,138,363</b>	<b>2.2680</b>	<b>44,311,835</b>	<b>2.6055</b>	<b>134,741,009</b>	<b>1.4829</b>	<b>22,679,074</b>	<b>2.1264</b>	<b>45,743,716</b>	<b>1.0040</b>	<b>45,876,091</b>	<b>1.5865</b>



# Marion County School

Tax Year 2013

Fund Name	Pike Twp. Sch		Warren Twp. Sch		Washington Twp. Sch		Wayne Twp. Sch		Speedway Sch	
	Levy	Rate	Levy	Rate	Levy	Rate	Levy	Rate	Levy	Rate
<b>Non-Referendum Funds</b>										
DEBT SERVICE	5,989,580	0.1391	16,317,651	0.7507	5,060,531	0.0989	18,296,694	0.8057	12,261	0.0024
SCHL PENSION DEBT	826,743	0.0192	1,678,064	0.0772	1,320,139	0.0258	1,898,478	0.0836		
CAPITAL PROJECTS (SCHL)	15,204,317	0.3531	9,946,659	0.4576	9,066,998	0.1772	9,433,346	0.4154	1,813,585	0.3550
2013 STATE LOAN			232,581	0.0107	823,807	0.0161				
TRANSPORTATION	7,444,991	0.1729	7,036,131	0.3237	6,912,819	0.1351	8,543,151	0.3762	90,935	0.0178
BUS REPLACEMENT	1,321,927	0.0307	373,869	0.0172	1,284,321	0.0251	651,750	0.0287		
<b>Total Non Referendum</b>	<b>30,787,558</b>	<b>0.7150</b>	<b>35,584,955</b>	<b>1.6371</b>	<b>24,468,615</b>	<b>0.4782</b>	<b>38,823,419</b>	<b>1.7096</b>	<b>1,916,781</b>	<b>0.3752</b>
<b>Referendum Funds</b>										
SCHL REFERENDUM FUND										
REF SCH POST09					4,094,217	0.08			3,011,282	0.4859
REFERENDUM DEBT										
REF DEBT POST09	6,579,291	0.1507								
<b>Total Referendum</b>	<b>6,579,291</b>	<b>0.1507</b>	<b>-</b>	<b>-</b>	<b>4,094,217</b>	<b>0.0800</b>	<b>-</b>	<b>-</b>	<b>3,011,282</b>	<b>0.4859</b>
<b>Total School Corporation</b>	<b>37,366,849</b>	<b>0.8657</b>	<b>35,584,955</b>	<b>1.6371</b>	<b>28,562,832</b>	<b>0.5582</b>	<b>38,823,419</b>	<b>1.7096</b>	<b>4,928,063</b>	<b>0.8611</b>

# Marion County TIF and HSC Revenue Impact Analysis - Total Impact of TIF Pass Through and HSC Elimination

Unit Net Levy (Values in thousands)

(49-3-2, 49-5-2)

On Pay Year 2014 Taxes

Name	COIT HSC Elimination Net Levy Impact			HSC Elim COIT Distr Impact	TIF Passthrough Net Levy Impact			HSC Elim + TIF Pass Through Combined Impact
	Levy	CB	Net Levy		Levy	CB	Net Levy	
Marion County	-	1,246.4	(1,246.4)	2,592.9	172.1	(2,913.7)	3,085.8	4,432.3
Indianapolis Sanitation (Solid)	-	254.4	(254.4)		-	(637.6)	637.6	383.2
Indianapolis Police Special Service	-	234.1	(234.1)		-	(1,458.2)	1,458.2	1,224.1
Indianapolis Fire Special Service	-	749.4	(749.4)		105.5	(1,878.8)	1,984.2	1,234.9
<b>Indianapolis Special Districts Total</b>	-	<b>1,237.8</b>	<b>(1,237.8)</b>		<b>105.5</b>	<b>(3,974.5)</b>	<b>4,080.0</b>	<b>2,842.2</b>
Indianapolis Consolidated City	-	225.1	(225.1)		473.2	(489.3)	962.5	737.4
Indianapolis Consolidated County	-	491.0	(491.0)	8,932.9	-	(1,167.2)	1,167.2	9,609.2
<b>Indpls Cons. City/County Total</b>	-	<b>716.1</b>	<b>(716.1)</b>	<b>8,932.9</b>	<b>473.2</b>	<b>(1,656.5)</b>	<b>2,129.8</b>	<b>10,346.6</b>
Center TWP.	-	9.0	(9.0)		-	(149.4)	149.4	140.4
Decatur TWP.	-	54.0	(54.0)	93.6	-	(58.0)	58.0	97.6
Franklin TWP.	-	12.1	(12.1)		-	(5.2)	5.2	(6.9)
Lawrence TWP.	-	7.1	(7.1)		-	(7.8)	7.8	0.7
Perry TWP.	-	2.7	(2.7)		-	(3.0)	3.0	0.3
Pike TWP.	-	84.7	(84.7)	270.6	27.9	(202.0)	229.9	415.9
Warren TWP.	-	1.1	(1.1)		-	(3.5)	3.5	2.4
Washington TWP.	-	5.8	(5.8)		-	(10.9)	10.9	5.1
Wayne TWP.	-	152.2	(152.2)	433.0	2.2	(208.0)	210.2	490.9
<b>Township Units Total</b>	-	<b>328.7</b>	<b>(328.7)</b>	<b>797.2</b>	<b>30.1</b>	<b>(647.9)</b>	<b>677.9</b>	<b>1,146.4</b>
Lawrence CIV. City	-	159.5	(159.5)	193.7	-	(106.4)	106.4	140.6
Beech Grove CIV. City	-	50.6	(50.6)	134.0	-	(27.9)	27.9	111.3
Southport CIV. City	-	2.1	(2.1)	4.2	-	(1.3)	1.3	3.5
Speedway City CIV. Town	-	8.8	(8.8)	126.4	-	(12.0)	12.0	129.7
Clermont CIV. Town	-	5.8	(5.8)		-	(4.6)	4.6	(1.3)
Cumberland CIV. Town	-	5.4	(5.4)		-	(7.8)	7.8	2.4
Homecroft CIV. Town	-	1.9	(1.9)		-	(0.9)	0.9	(1.0)
Meridian Hills CIV. Town	-	5.0	(5.0)		-	(4.9)	4.9	(0.1)
Rocky Ripple CIV. Town	-	0.1	(0.1)		-	(0.4)	0.4	0.3
Warren Park CIV. Town	-	0.1	(0.1)		-	(0.1)	0.1	0.0
Wynnedale CIV. Town	-	0.2	(0.2)		-	(0.2)	0.2	0.0
<b>Civil Units Total</b>	-	<b>239.4</b>	<b>(239.4)</b>	<b>458.4</b>	-	<b>(166.5)</b>	<b>166.5</b>	<b>385.4</b>
M.S.D. Decatur TWP. SCH. Corp	-	171.6	(171.6)		-	(184.5)	184.5	12.9
Franklin TWP. COM. SCH. Corp	-	922.7	(922.7)		-	(382.7)	382.7	(540.0)
M.S.D. Lawrence TWP. SCH. Corp	-	728.8	(728.8)		442.7	(730.2)	1,172.9	444.1
M.S.D. Perry TWP. SCH. Corp	-	290.8	(290.8)		-	(300.5)	300.5	9.7
M.S.D. Pike TWP. SCH. Corp	-	153.8	(153.8)		921.2	(322.9)	1,244.1	1,090.3
M.S.D. Warren TWP. SCH. Corp	-	272.7	(272.7)		77.6	(584.8)	662.4	389.7
M.S.D. Washington TWP. SCH. Corp	-	231.2	(231.2)		480.3	(322.6)	802.9	571.7
M.S.D. Wayne TWP. SCH. Corp	-	270.7	(270.7)		27.1	(351.3)	378.5	107.7
Beech Grove City SCH. Corp	-	55.7	(55.7)		-	(31.1)	31.1	(24.6)
Indianapolis PUB. SCH. Corp	-	802.6	(802.6)		2,353.7	(4,417.1)	6,770.8	5,968.2
Speedway City SCH. Corp	-	3.0	(3.0)		-	(4.1)	4.1	1.1
<b>School Units Total</b>	-	<b>3,903.6</b>	<b>(3,903.6)</b>		<b>4,302.6</b>	<b>(7,631.8)</b>	<b>11,934.4</b>	<b>8,030.8</b>
Beech Grove PUB. LBRY.	-	9.9	(9.9)		-	(5.5)	5.5	(4.4)
Speedway City PUB. LBRY.	-	1.3	(1.3)		-	(1.8)	1.8	0.5
Indianapolis - Marion County PUB. LBRY	-	405.4	(405.4)		-	(967.0)	967.0	561.6
<b>Library Units Total</b>	-	<b>416.7</b>	<b>(416.7)</b>		-	<b>(974.3)</b>	<b>974.3</b>	<b>557.7</b>
Indianapolis PUB. Transportation	-	303.9	(303.9)		134.5	(732.2)	866.7	562.7
Marion County Health and Hospital Corp	-	627.4	(627.4)		8.1	(1,484.7)	1,492.7	865.3
Speedway PUB. Transportation	-	0.4	(0.4)		-	(0.6)	0.6	0.2
<b>Special Units Total</b>	-	<b>931.8</b>	<b>(931.8)</b>		<b>142.5</b>	<b>(2,217.4)</b>	<b>2,359.9</b>	<b>1,428.2</b>
<b>County Total</b>	-	<b>9,020.5</b>	<b>(9,020.5)</b>	<b>12,781.4</b>	<b>5,226.1</b>	<b>(20,182.6)</b>	<b>25,408.7</b>	<b>29,169.6</b>
<b>City/County Total</b>	-	<b>3,200.3</b>	<b>(3,200.3)</b>	<b>11,525.8</b>	<b>750.8</b>	<b>(8,544.7)</b>	<b>9,295.6</b>	<b>17,621.1</b>